

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

STARRED QUESTION NO:497
ANSWERED ON:20.04.2001
RECESSION IN INDIAN INDUSTRY
AJAY SINGH CHAUTALA

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether Indian economy is gradually going into recession;
- (b) if so, the sectors of industries which are in the grip of recession at present alongwith the reasons thereof;
- (c) whether some more industries are likely to face recession during the next two years after the implementation of the agreement with the World Trade Organisation; and
- (d) if so, the measures taken or proposed to be taken by the Government to overcome recession and prevent the industries from going into recession?

Answer

THE MINISTER OF COMMERCE AND INDUSTRY (Shri Murasoli Maran)

(a) to (d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO.497 FOR ANSWER ON 20.4.2001

(a) The Indian economy has been recognized as one of the fastest growing economies in the world with a growth rate of 6% or over. As per the estimates released by CSO, GDP is expected to grow at the rate of 6% during 2000-01 over the growth rates of 6.6% & 6.4% during 1998-99 & 1999-2000 respectively. It cannot thus be said that Indian economy is in a recessionary phase.

(b) Overall industrial production has increased by 5.1% (Apr-Feb 2000-01) as compared to 6.6% during the corresponding period of the last year. All the major industry sectors have shown a positive growth rate in Apr-Feb 2001 for which the latest figures are available.

Sector-wise cumulative growth rates for industry are given below:-

Apr-Feb, 1999-00 Apr-Feb 2000-01

Mining	0.8	4.2
Manufacturing	7.0	5.3
Electricity	7.4	4.1
General	6.6	5.1

Two of the sectors, manufacturing and electricity have shown somewhat lower rate of growth than in the previous year. This is on account of persistence of Infrastructure bottlenecks, slow down in general investment climate, comparatively weaker monsoon this year having adverse impact on aggregate demand, which has slackened during the current year, exceptional increase in international oil prices, poor performance of Capital goods and Intermediate goods sector and recessionary trend in the US economy which is India's major trading partner

(c) The removal of QRs has not altered either the overall rate of growth of imports or their composition. During the current year (Apr-Jan) the rate of growth of non-oil imports has been (-) 8.2%. Besides, in the new EXIM policy care has been taken to ensure level playing field to domestic producers vis-a-vis imports.

(d) Performance of industrial sector is dependent upon several internal and external factors. The Government has initiated inter-alia, the following steps to improve efficiency and boost industrial growth.

Â\$ Basic custom duty in case of raw materials and intermediate goods has been reduced.

Â\$ Excise duty has been rationalized, with one rate of Cenvat and one rate of SED.

Â\$ Budgetary provisions under Technology Upgradation Fund Scheme (TUFS) have been raised to speed up the modernization of textile.

Â\$ Interest rate on small savings has been reduced.

Â\$ RBI has reduced Cash Reserve Ratio and Bank Rate to increase liquidity and reduce the lending cost.

Â\$ In the new EXIM policy, care has been taken to ensure level playing field to domestic producers vis-à-vis imports.

Â\$ Proposals have also been made for suitable legislative changes to improve the operating environment for industry.